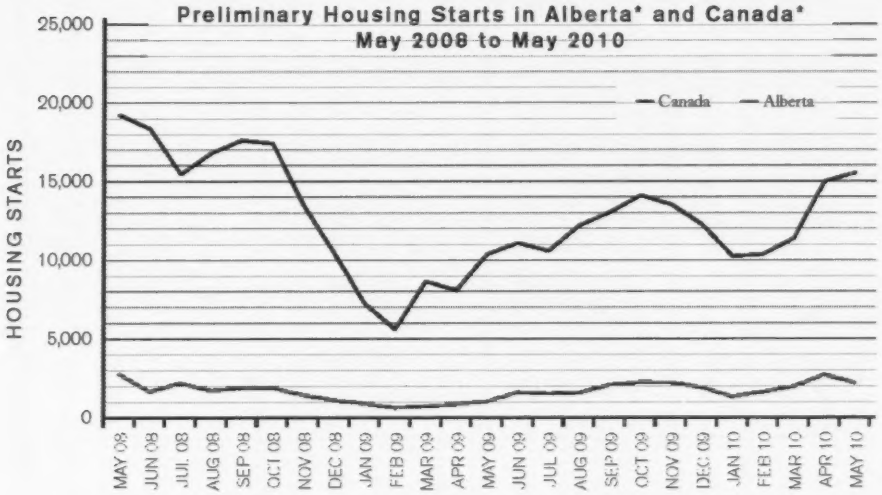
# Housing Bulletin Monthly Report



## HOUSING STARTS are COOLING OFF as TEMPERATURES RISE




- Canada's total preliminary housing starts for May 2010 were up 3.5 per cent over April 2010 and up 49.8 per cent over May 2009.
- The slow down in starts across Canada is consistent with Canada Housing and Mortgage Corporation's forecast of 182,000 total housing starts in 2010.
- The Deputy Chief Economist at the Bank of Montreal notes that while spring and summer are generally the busiest building seasons, construction is expected to slow markedly as a result of cooling demand in Canada's housing market.

- Alberta's May 2010 preliminary housing starts decreased 15.4 per cent over April 2010 but were 116.7 per cent higher than in May 2009.
- According to ATB's Chief Economist, due to the probability of rising mortgage rates and global turbulence shaking energy prices, real estate in Alberta may remain a bit flat for the rest of the year, but is nonetheless in better shape than last year.

* Data reflects centres with a population of 10,000 and over only.
Source: Canada Mortgage and Housing Corporation

## ISSUE HIGHLIGHTS

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Vacancy rates rise across Alberta.
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Cost of home ownership improves in Alberta.
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Mortgage Rates
Canada becomes first to hike rates.
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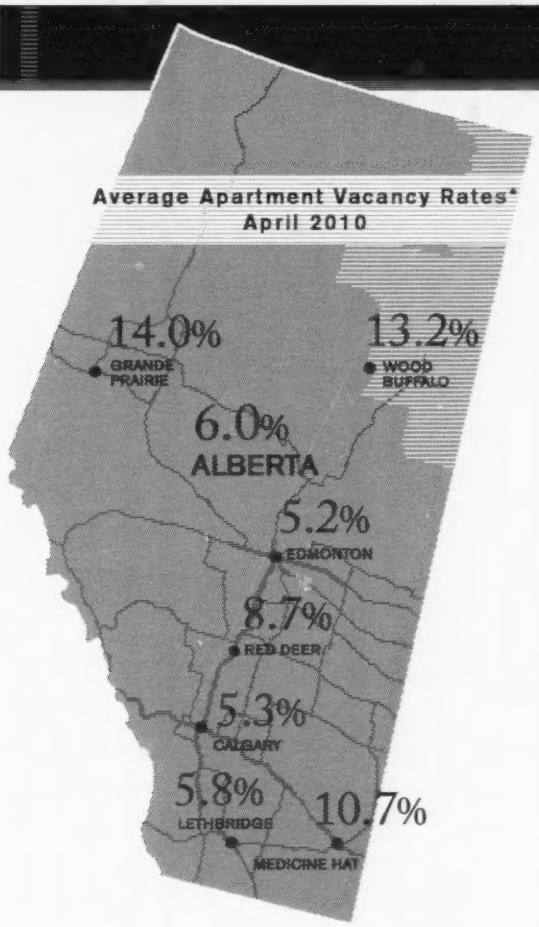
*Alberta is in Growth Mode*
(ROYAL BANK OF CANADA)

OF MONTREAL) It looks as though Canadian residential construction activity has peaked for the time being and will recede in the months ahead (BANK OF MONTREAL). It looks as though Canadian




# APARTMENT VACANCY RATES HIGHER ACROSS the PROVINCE

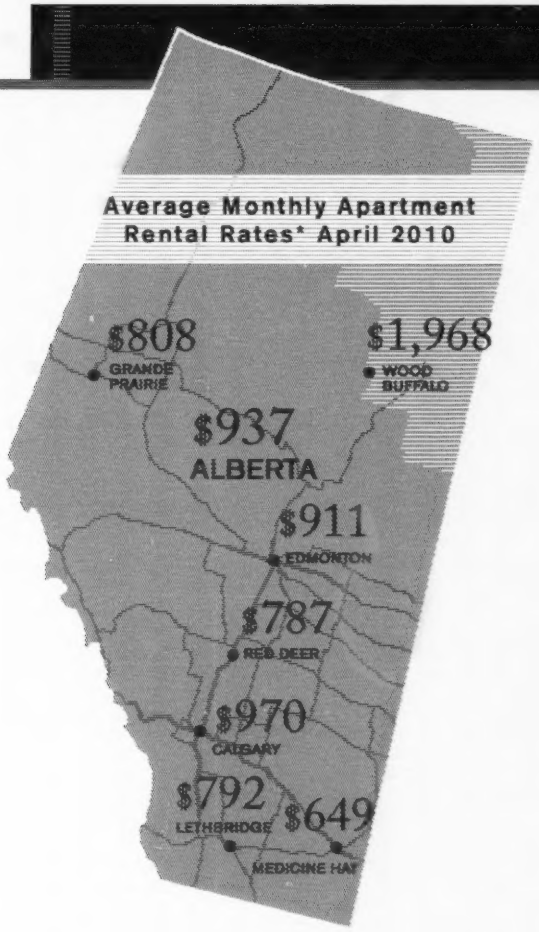
- The most recent data shows that average private rental vacancy rates across Alberta's large major urban centres** have increased more than 30 per cent over the past year.
- Among Alberta's seven major centres, Grande Prairie had the highest vacancy rate in April 2010 (14 per cent).
- Edmonton had the lowest average vacancy rate, up 5.2 per cent in April 2010 from 4.7 per cent in April 2009.
- Vacancy rates in the Wood Buffalo Region nearly doubled from April 2009 (6.9 per cent) to April 2010 (13.2 per cent).
- According to Canada Mortgage and Housing Corporation (CMHC), employment losses in Edmonton and Calgary, coupled with interprovincial migration losses have dampened demand for rental units.

**AVERAGE APARTMENT VACANCY RATES***

| | April 2007 | April 2008 | April 2009 | April 2010 | % Change from April 2009 to April 2010 |
|---|---|---|---|---|---|
| Calgary CMA | 0.5% | 0.2% | 4.3% | 5.3% | 23.3% |
| Edmonton CMA | 1.1% | 3.4% | 4.7% | 5.2% | 10.6% |
| Grande Prairie CA | 0.9% | 8.8% | 8.5% | 14.0% | 64.7% |
| Lethbridge CA | 1.3% | 0.8% | 3.1% | 5.8% | 87.1% |
| Medicine Hat CA | 1.7% | 2.0% | 4.3% | 10.7% | 148.8% |
| Red Deer CA | 2.1% | 3.2% | 3.9% | 8.7% | 123.1% |
| Wood Buffalo CA | 0.2% | 0.1% | 6.9% | 13.2% | 91.3% |
| Alberta** | 0.9% | 2.9% | 4.6% | 6.0% | 30.4% |

* Average vacancy rate for all unit types (i.e., Bachelor, 1-Bedroom, 2-Bedroom and 3-Bedroom+).
** Data includes centres with a population of 10,000 and over.
Source: Canada Mortgage and Housing Corporation

nal vacancy rates (CMHC) Rental construction and competition from the condominium market added upward pressure on national vacancy rates (CMHC). Rental construction and competition from the cond




## RENTS DECREASE for FIRST TIME SINCE 2007

- The average rent for all unit types across Alberta's large centres** was $937 per month in April 2010, down from $962 one year earlier.
- Average rent in the Calgary Census Metropolitan Area (CMA) decreased from $1,006 in April 2009 to $970 in April 2010. This year-over-year decrease is in line with Canada Mortgage and Housing Corporation's (CMHC's) fall 2009 forecast that elevated vacancy rates would prevent the average rent from rising across Calgary into 2010.
- As vacancy rates increased across the Edmonton CMA, rental rates edged downward slightly to sustain occupancy levels. In April 2010, the average apartment rent decreased to $911 from $928 in April 2009.
- The Lethbridge Census Agglomeration (CA) was the only major centre in Alberta where average rents increased, rising from $784 in April 2009 to $792 in April 2010. According to CMHC, Lethbridge's relatively low vacancy and higher rental rates are attributable to its well-diversified economy, which relies on the energy sector less than other centres around the province.

**AVERAGE MONTHLY APARTMENT RENTAL RATES***

| | April 2007 | April 2008 | April 2009 | April 2010 | % Change from April 2009 to April 2010 |
|---|---|---|---|---|---|
| Calgary CMA | $925 | $992 | $1,006 | $970 | -3.6% |
| Edmonton CMA | $795 | $908 | $928 | $911 | -1.8% |
| Grande Prairie CA | $1,039 | $979 | $914 | $808 | -11.6% |
| Lethbridge CA | $672 | $740 | $784 | $792 | 1.0% |
| Medicine Hat CA | $596 | $634 | $654 | $649 | -0.8% |
| Red Deer CA | $734 | $798 | $799 | $787 | -1.5% |
| Wood Buffalo CA | $1,607 | $2,193 | $2,088 | $1,968 | -5.7% |
| Alberta** | $847 | $953 | $962 | $937 | -2.6% |

* Average rental rates includes all unit types (i.e., Bachelor, 1-Bedroom, 2-Bedroom and 3-Bedroom+).
** Data includes centres with a population of 10,000 and over.
Source: Canada Mortgage and Housing Corporation

tment rents (CMHC) For the first time since April 2007, lower demand in both Calgary and Edmonton contributed to a decline in average apartment rents (CMHC). For the first time since April 2007, low

# EDMONTON RESALE ACTIVITY DIPPED in MAY 2010

## YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN EDMONTON IN THE MONTH OF MAY

| | AVERAGE PRICE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Single-Family Dwelling | Condominium | Duplex / Rowhouse | Days on the Market | Residential Listings | Residential Sales | Monthly Sales to Listings Ratio | Average Year to Date Sales to Listings Ratio |
| May 06 | $284,992 | $172,545 | $224,743 | 24 | 2,474 | 2,344 | 94 | 92 |
| May 07 | $424,400 | $266,507 | $344,521 | 23 | 4,790 | 2,645 | 55 | 71 |
| May 08 | $385,230 | $263,785 | $327,566 | 53 | 4,272 | 1,854 | 43 | 38 |
| May 09 | $366,619 | $243,744 | $292,288 | 52 | 3,186 | 2,266 | 71 | 51 |
| May 10 | $390,583 | $248,526 | $320,204 | 44 | 3,670 | 1,682 | 45 | 46 |

- A single-family dwelling sat for sale on Edmonton's market for an average of 44 days in May 2010. This represents a 15.4 per cent drop over May 2009 and signals balanced market conditions.

Source: Realtors' Association of Edmonton

- The average price of a single-family dwelling in Edmonton increased by 6.5 per cent from May 2009 to May 2010. The same upward trend was found in the condominium (2.0 per cent) and multi-family (9.6 per cent) sectors.
- Listings in May 2010 increased 15.2 percent over May 2009, while sales were down 25.8 per cent.
- According to the Realtors' Association of Edmonton, financial incentives, changes to mortgage rules and the threat of rising interest rates caused the local market to peak earlier in 2010, leaving the customer base a little leaner in May.

# CALGARY'S RESALE MARKET STABILIZING AFTER PEAKING in EARLY 2010

## YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN CALGARY IN THE MONTH OF MAY

| | SINGLE-FAMILY DWELLING | | | | | CONDOMINIUM | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Average Price | Month End Inventory | New Listings Added | Sales | Days on the Market | Average Price | Month End Inventory | New Listings Added | Sales | Days on the Market |
| May 07 | $497,523 | 3,716 | 3,652 | 1,995 | 25 | $332,237 | 1173 | 1,332 | 887 | 24 |
| May 08 | $479,564 | 7,099 | 3,432 | 1,368 | 42 | $311,816 | 3,308 | 1,538 | 577 | 50 |
| May 09 | $436,427 | 3,861 | 2,235 | 1,584 | 45 | $275,212 | 1,952 | 998 | 653 | 51 |
| May 10 | $483,240 | 5,649 | 2,966 | 1,262 | 38 | $304,662 | 2,656 | 1,221 | 518 | 43 |

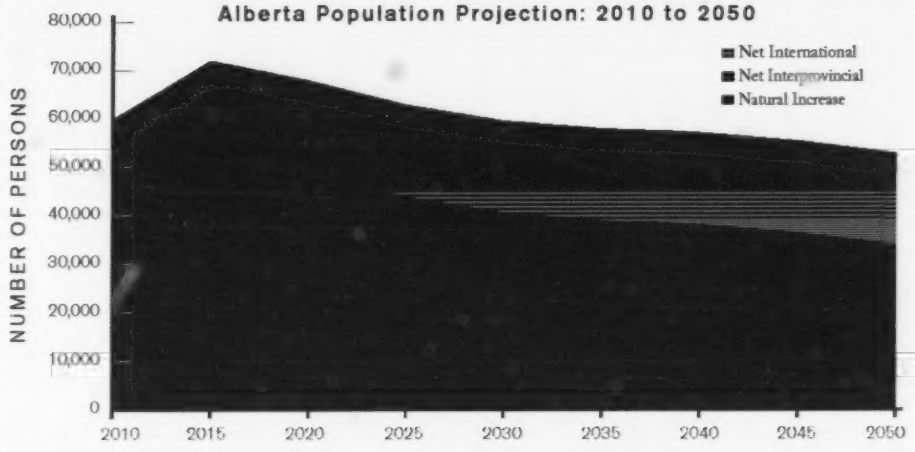
- Condominium sales fell by 20.7 per cent from May 2009 to May 2010. Sales are still well below peak demand levels of 2007, with 37 per cent fewer single-family homes and 42 per cent fewer condominiums sold in May 2010 compared to May 2007.

Source: Calgary Real Estate Board

- The number of single-family Calgary homes sold in May 2010 fell 20 per cent compared to May 2009, although prices have risen by 10.7 per cent.
- Listings for single-family Calgary homes were up 32.7 per cent in May 2010 compared to May 2009, but down slightly (4.0 per cent) from April 2010.
- On average, a single-family home sat on Calgary's market for 38 days, down 15.6 per cent from May 2009.

TE BOARD) A declining number of first time homebuyers and rising monthly carrying costs have contributed to the marked slowdown in the Calgary market (CALGARY REAL ESTATE BOARD). A declinin

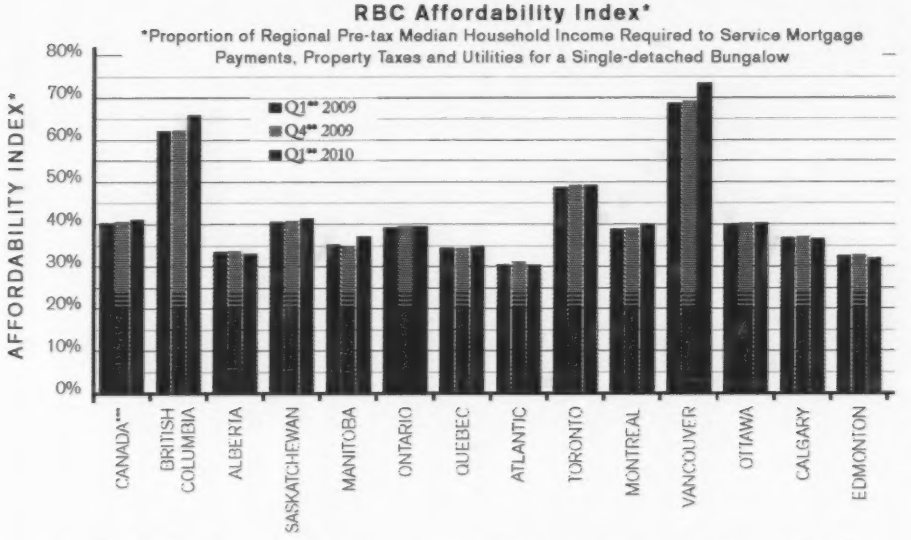
# ALBERTA'S POPULATION GROWTH will RELY on INTERNATIONAL MIGRANTS




Source: Alberta Finance and Enterprise.

- According to Finance and Enterprise, Alberta's population is expected to grow by 68 per cent from an estimated 3.7 million in 2009, to over 6.1 million by 2050 (under a medium growth scenario).
- In this projection, future population growth will be driven mainly by migration, particularly international migration. The share of population growth coming from net migration is expected to rise from 50 per cent in 2010 to almost 90 per cent by 2050.
- Increasing numbers of international migrants will bring new housing preferences and family sizes, which may shape demand for housing.

# ALBERTA ONLY PROVINCE to SEE IMPROVEMENT in HOME OWNERSHIP AFFORDABILITY

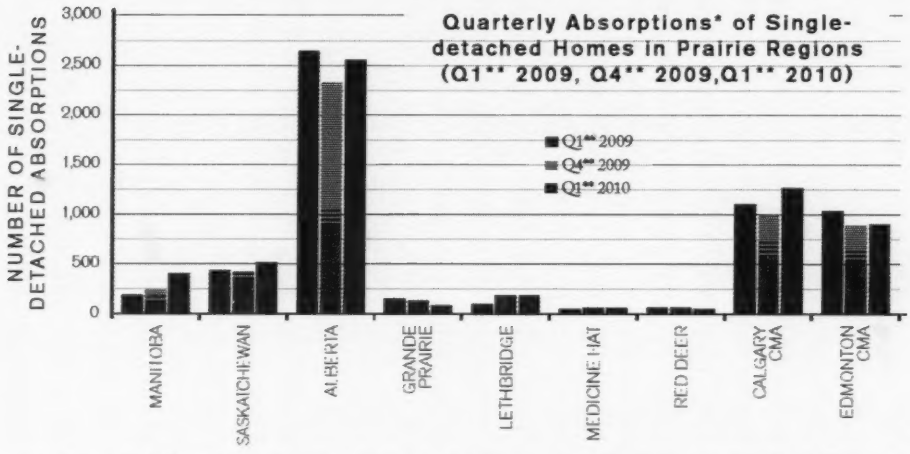



* Proportion of regional pre-tax median household income required to service mortgage payments, property taxes and utilities for a single-detached bungalow.
** Q1 = January to March; Q2 = April to June; Q3 = July to September; Q4 = October to December.
*** Population weighted average.
Source: Royal Bank of Canada Economics Research

- The share of household income taken up by the costs associated with owning a single-detached bungalow in Alberta decreased slightly between the fourth quarter of 2009 (33.7 per cent) and first quarter of 2010 (33.0 per cent) and is substantially lower than the Canadian average (41.0 per cent in Q1** 2010).
- Compared to other select Canadian major centres, home ownership remains more affordable in Edmonton (32.0 per cent) and Calgary (36.5 per cent) than in Montréal (39.7 per cent), Ottawa (40.3 per cent) and Vancouver (73.4 per cent).
- The proportion of net household income required to maintain a single-detached bungalow in Calgary fell 0.6 percentage points from fourth quarter 2009 to first quarter 2010. Over the same period, the share of income needed in Edmonton decreased by 0.9 percentage points from 32.9 per cent to 32.0 per cent.

ADA) Significant deterioration in affordability occurred once again...across all provinces. Alberta was the sole exception, registering small improvements in the first quarter (ROYAL BANK OF CANADA). Significant

# ALBERTA'S NEW HOME MARKET REMAINS STRONG while OTHER PRAIRIE PROVINCES' WEAKEN



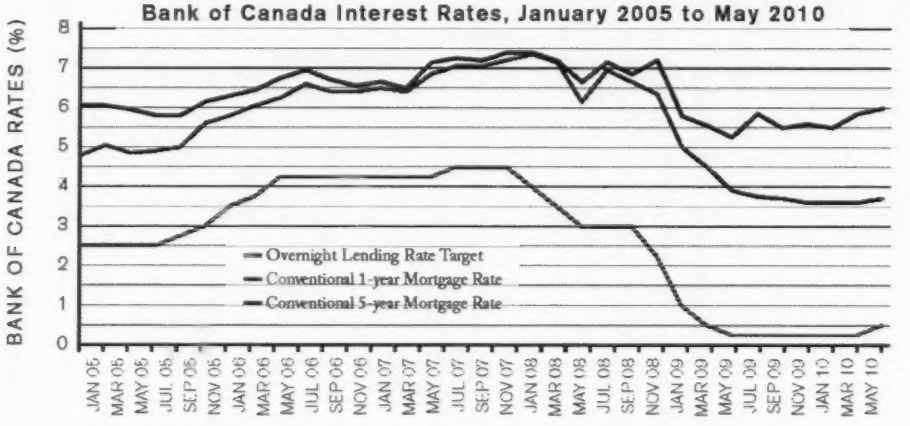

- Fewer newly built homes were purchased in Manitoba (-53 per cent) and Saskatchewan (-15 per cent) during the first three months of 2010, compared to the last three months of 2009. Alberta however, bucked this Prairie trend as 3 per cent more newly built homes were purchased in Q1** 2010 than in Q4** 2009.
- Within Alberta, more new homes were absorbed in Grande Prairie (72 per cent), Red Deer (43 per cent), and Edmonton (14 per cent) when comparing Q4** 2009 to Q1** 2010. Conversely, fewer newly built homes were absorbed in Lethbridge (-47 per cent), Medicine Hat (-17 per cent), and Calgary (-13 per cent).
- Overall, Alberta's new home market picked up pace by 13 per cent in the first three months of 2010 compared to the same period in 2009, coinciding with rising consumer confidence across the province.

* The term "absorbed" means that a newly built housing unit is no longer on the market. This usually happens when a binding contract is secured between a builder and a qualified purchaser by a non-refundable deposit.

** Q1 = January to March; Q2 = April to June; Q3 = July to September; Q4 = October to December.

Source: Canada Mortgage and Housing Corporation.

# INTEREST RATES START to RISE




- As of June 1, 2010, the advertised five-year conventional mortgage rate stood at 5.99 per cent.
- The Bank of Canada is expected to make its next announcement on July 20, 2010.

Source: Bank of Canada

- The target for the Overnight Lending Rate is the main tool used by the Bank of Canada to conduct monetary policy. When the Bank changes the target for the Overnight Lending Rate, this change usually affects other interest rates, including mortgage rates and prime rates charged by commercial banks.
- For the first time since 2007, the Bank of Canada raised its target for the Overnight Lending Rate by 0.25 percentage points to 0.50 per cent on June 1, 2010. The Bank had maintained its main interest rate at 0.25 for more than a year to stimulate Canada's economy and spur recovery.

CIATION) Canada is widely believed to be entering a typical demand-driven downturn due to recent price increases and rising interest rates (CANADIAN REAL ESTATE ASSOCIATION). Canada is widely believ